

C94I00

Subsequent Injury Fund

Program Description

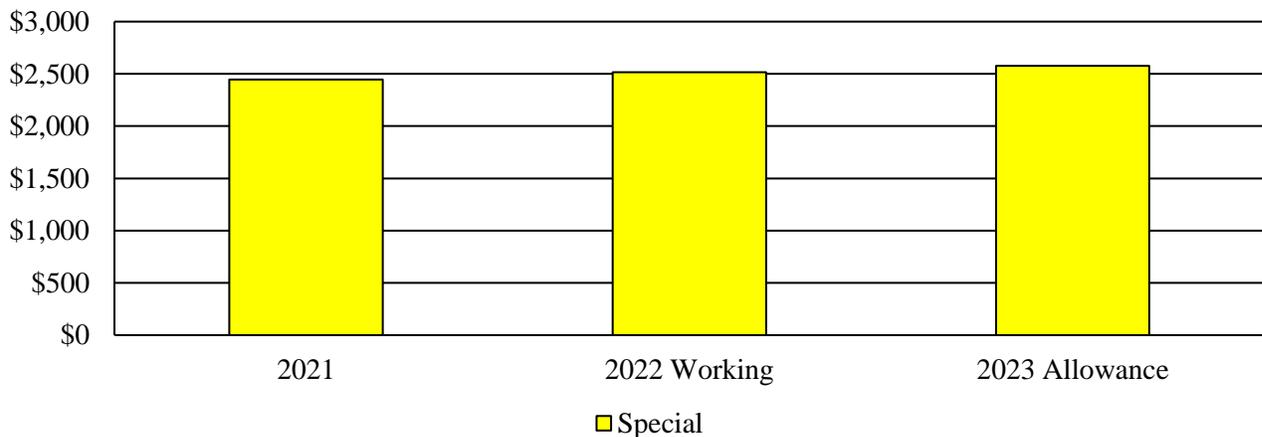
The Subsequent Injury Fund (SIF) compensates injured workers whose pre-existing injuries, diseases, or congenital conditions are substantially worsened by a current injury. SIF receives special funds from an assessment on (1) awards against employers or insurers for permanent disability or death and (2) amounts payable by employers or insurers under settlement agreements. The assessment of 6.5% was reduced to 5.5% for fiscal 2021 only by Chapter 495 of 2020.

The purpose of SIF is to encourage the employment of disabled individuals by limiting an employer's liability should a subsequent occupational injury render an individual permanently disabled or result in death. Employers or their insurers are liable only for damage caused by the current workplace injuries. SIF incurs the additional liability for damage resulting from the combined effects of all injuries and conditions. The SIF mission addresses the need to:

- efficiently defend SIF resources against inappropriate use;
- provide monetary benefits to qualified disabled workers injured on the job in accordance with awards passed by the Workers' Compensation Commission (WCC); and
- maintain the adequacy and integrity of the SIF fund balance.

Operating Budget Summary

Fiscal 2023 Budget Increases \$60,239, or 2.4%, to \$2.6 Million
(\$ in Thousands)

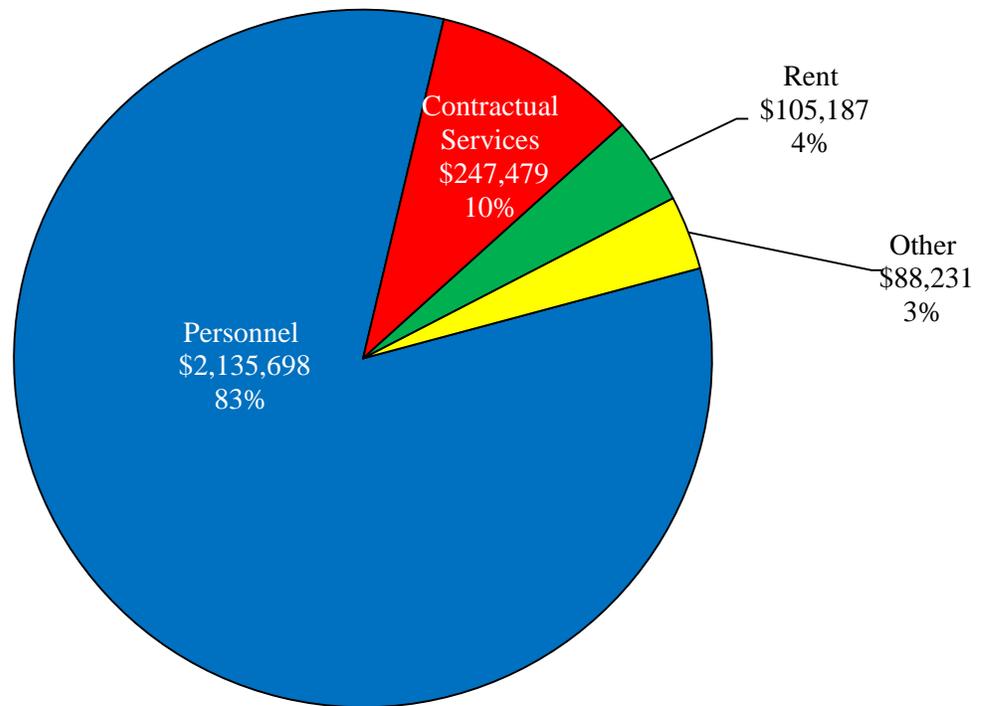


Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.

Fiscal 2023 Overview of Agency Spending

SIF’s costs are driven almost entirely by personnel, as shown in **Exhibit 1**. Of the agency’s \$2.6 million fiscal 2023 allowance, \$2.1 million, or 83%, is for personnel.

Exhibit 1
Overview of Agency Spending
Fiscal 2023 Allowance
(\$ in Thousands)



Source: Governor’s Fiscal 2023 Budget Books

Proposed Budget Change

The fiscal 2023 allowance for SIF increases by approximately \$60,000, as shown in **Exhibit 2**. The increase is driven by a \$47,312 increase in costs related to the addition of 1 contractual position to assist with the resolution of a repeat audit finding regarding referral of delinquent accounts.

Exhibit 2
Proposed Budget
Subsequent Injury Fund
(\$ in Thousands)

How Much It Grows:	Special Fund	Total
Fiscal 2021 Actual	\$2,445	\$2,445
Fiscal 2022 Working Appropriation	2,516	2,516
Fiscal 2023 Allowance	<u>2,577</u>	<u>2,577</u>
Fiscal 2022-2023 Amount Change	\$60	\$60
Fiscal 2022-2023 Percent Change	2.4%	2.4%

Where It Goes:	2021-2022 Change
Personnel Expenses	
Regular earnings.....	-\$8
Employee and retiree health insurance.....	15
Other fringe benefit adjustments	-1
Other Changes	
New contractual position.....	47
Other changes.....	7
Total	\$60

Note: Numbers may not sum to total due to rounding. The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.

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Personnel Data

	<u>FY 21</u> <u>Actual</u>	<u>FY 22</u> <u>Working</u>	<u>FY 23</u> <u>Allowance</u>	<u>FY 22-23</u> <u>Change</u>
Regular Positions	17.00	17.00	17.00	0.00
Contractual FTEs	<u>0.75</u>	<u>0.00</u>	<u>1.00</u>	<u>1.00</u>
Total Personnel	17.75	17.00	18.00	1.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	0.00	0.00%
Positions and Percentage Vacant as of 12/31/21	2.00	11.76%
Vacancies Above Turnover	2	

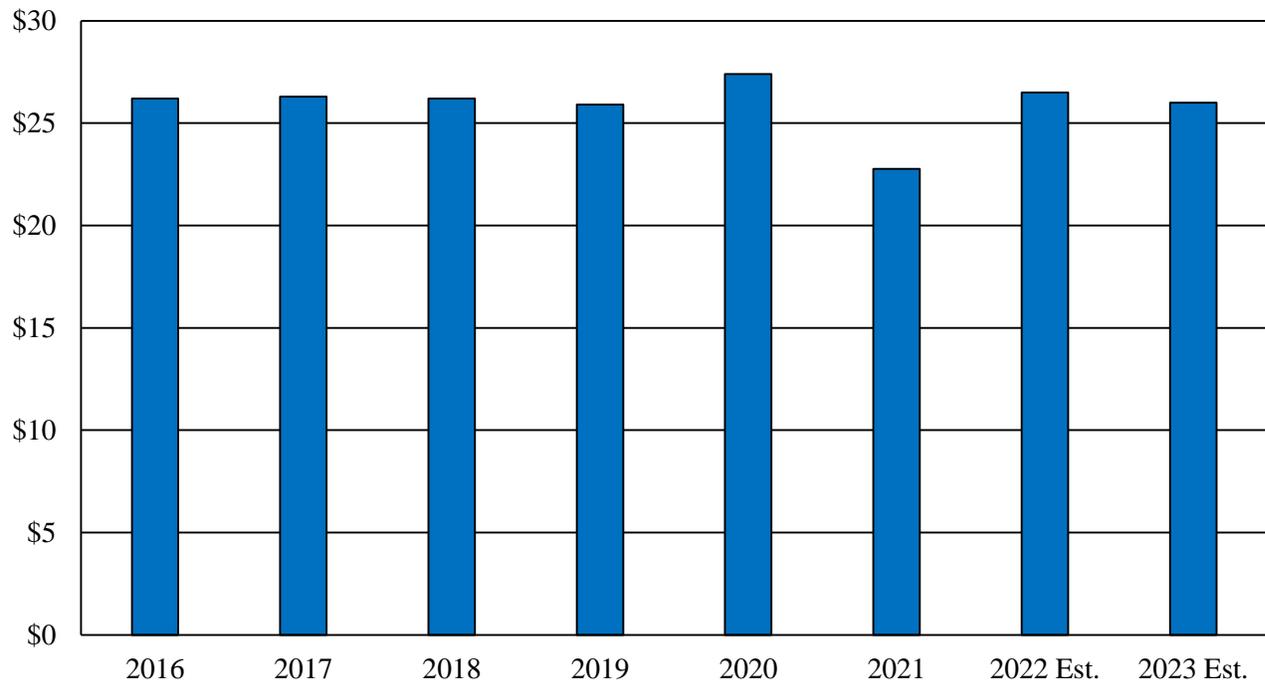
Key Observations

1. Assessment Revenue Temporarily Reduced

SIF receives special funds from an assessment on awards against employers or insurers for permanent disability or death and amounts payable by employers or insurers under settlement agreements. Chapter 495 temporarily reduced the size of the assessment from 6.5% to 5.5% for fiscal 2021 only. The funds were diverted to assist the Uninsured Employers’ Fund with its low fund balance.

As shown in **Exhibit 3**, fiscal 2021 assessment revenues were \$22.8 million, or \$4.6 million lower than fiscal 2020. Revenue is expected to return to levels slightly below fiscal 2020 and prior amounts. Assessment revenues were higher than anticipated in fiscal 2021 and are expected to be higher in fiscal 2022 than previously estimated due to increased efforts to collect on overdue assessments in response to a recent audit finding.

Exhibit 3
Subsequent Injury Fund Assessment Revenue
Fiscal 2016-2023 Est.
(\$ in Millions)



Source: Subsequent Injury Fund

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In addition to providing for the agency’s operating expenses, the assessment is designed to build reserves for the payment of benefits to qualified disabled workers injured on the job in accordance with awards approved by WCC. **Exhibit 4** shows the balance in the fund since the end of fiscal 2010.

Exhibit 4
Subsequent Injury Fund History
Fiscal 2010-2022 Est.

<u>Fiscal Year</u>	<u>Balance</u>	<u>Percent Change</u>
2010	\$70,754,896	8.24%
2011	73,025,353	3.21%
2012	78,107,299	6.96%
2013	80,989,370	3.69%
2014	81,243,776	0.31%
2015	82,185,258	1.16%
2016	85,259,943	3.74%
2017	90,670,459	6.35%
2018	95,294,285	5.10%
2019	100,509,872	5.47%
2020	106,783,917	6.24%
2021	108,272,785	1.39%
2022 Est.	111,356,429	2.85%

Source: Subsequent Injury Fund

Fund growth results when revenue from assessments exceeds payments from the fund and agency expenses. The fund has grown at an average annual rate of 4% over the last decade; despite a reduction in assessment revenue in fiscal 2021, the fund balance still grew by 1.4%, to \$108.3 million, at the close of fiscal 2021. SIF estimates its fiscal 2022 closing balance will be \$111.4 million. SIF holdings are intended to provide the source of capital that offsets future liabilities whose value is calculated periodically by an actuarial study. The most recent study, issued in 2016, found that SIF had liabilities between \$195 million and \$385.5 million, depending on assumptions about the mortality of recipients and discount rate. SIF’s goal is to eliminate its unfunded liabilities.

2. Cost Per Claim Continues Upward Trend

One gauge of administrative productivity is operating cost per claim. Different cases merit different costs in terms of medical exams, depositions, and other legal fees; **Exhibit 5** shows the average cost per claim. The average cost per claim has been on a steady upward trajectory since fiscal 2014. In fiscal 2021, the average cost per claim was \$3,773, nearly double fiscal 2014. While caseloads have declined, payment rates have increased, which leads to higher SIF costs for negotiated settlement agreements.

Exhibit 5
Subsequent Injury Fund Administrative Costs
Fiscal 2015-2023 Est.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Est.</u> <u>2022.</u>	<u>Est.</u> <u>2023.</u>
Operating Budget									
Cost Per Resolved Claim	\$2,276	\$2,477	\$2,820	\$2,792	\$3,100	\$3,546	\$3,773	\$3,883	\$4,066
Ratio of Fund Expenditures to Total Collections	0.965:1	0.887:1	0.804:1	0.832:1	0.812:1	0.783:1	0.935:1	0.878:1	0.890:1

Source: Governor’s Fiscal 2023 Budget Books

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

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**Appendix 1
Audit Findings**

Audit Period for Last Audit:	Nov. 14, 2016 – Oct. 31, 2020
Issue Date:	April 2021
Number of Findings:	1
Number of Repeat Findings:	1
% of Repeat Findings:	100%
Rating: (if applicable)	n/a

Finding 1: SIF did not refer all delinquent accounts to the State’s Central Collection Unit.

*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 2
Object/Fund Difference Report
Subsequent Injury Fund**

<u>Object/Fund</u>	<u>FY 21 Actual</u>	<u>FY 22 Working Appropriation</u>	<u>FY 23 Allowance</u>	<u>FY 22 - FY 23 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	17.00	17.00	17.00	0.00	0%
02 Contractual	0.75	0.00	1.00	1.00	n/a
Total Positions	17.75	17.00	18.00	1.00	5.9%
Objects					
01 Salaries and Wages	\$ 2,125,805	\$ 2,129,609	\$ 2,135,698	\$ 6,089	0.3%
02 Technical and Spec. Fees	50,696	89,000	136,312	47,312	53.2%
03 Communication	12,770	16,800	17,300	500	3.0%
04 Travel	6,772	26,500	26,500	0	0%
08 Contractual Services	97,739	112,301	111,167	-1,134	-1.0%
09 Supplies and Materials	13,061	11,600	13,750	2,150	18.5%
10 Equipment – Replacement	1,402	0	0	0	0.0%
11 Equipment – Additional	4,542	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	12,000	12,000	12,000	0	0%
13 Fixed Charges	118,551	117,746	122,068	4,322	3.7%
14 Land and Structures	1,690	800	1,800	1,000	125.0%
Total Objects	\$ 2,445,028	\$ 2,516,356	\$ 2,576,595	\$ 60,239	2.4%
Funds					
03 Special Fund	\$ 2,445,028	\$ 2,516,356	\$ 2,576,595	\$ 60,239	2.4%
Total Funds	\$ 2,445,028	\$ 2,516,356	\$ 2,576,595	\$ 60,239	2.4%

Note: The fiscal 2022 working appropriation and fiscal 2023 allowance do not reflect funding for statewide personnel actions budgeted in the Department of Budget and Management, which may include cost-of-living adjustments, increments, annual salary review increases, and bonuses.